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TRILATERAL RELATIONS: A TILT TO THE PACIFIC?

Summary

Over the last two years, economic and political ties between the United States and Japan have assumed a higher profile internationally. This situation can be accounted for not only by the "Ron-Yasu" friendship, but also by more fundamental shifts. Two-way trade between the United States and its Asian partners, for example, exceeded U.S.-European flows for the first time in 1978 and has continued to grow. Japanese leaders increasingly are assuming international leadership roles that are commensurate with the country's economic power. Finally, other nations are turning to Japan for investment and trade opportunities.

With this change in the international climate, Japan has assumed more importance in policymaking circles in the United States. Few foreign policy decisions, whether political or economic, lack a Japanese dimension. However, there have been indications that America's European allies view this situation with growing alarm and interpret it as a shift to the Pacific at the expense of Atlantic interests.

Causes of European Concern

Western Europe cites changing American policies as evidence that the United States has given relations with Japan priority over European Community concerns. While European leaders have harboured reservations since the start of the Reagan administration about its interest in European economic and security issues, recent developments were considered serious enough to bring officials to complain directly to their American counterparts.

The most recent sequence of events identified by concerned Europeans unfolded last January, when then-Under Secretary of State Lawrence Eagleberger, in response to questions at an international conference, admitted to frustrations in dealing with European officials, adding that greater opportunities for cooperation might exist with Japan and other Asian countries. He noted that positions taken by Asian leaders, Japan's in particular, were increasingly consistent with American stances, while Europe appeared to be drifting away from the United States.

Mr. Eagleberger spoke directly of a "shift" in relations toward the Pacific, resulting from such factors as demographic changes in the United States that have given greater importance to the Western states, and this country's increased volume of trade with Asia. More fundamentally, he described his perceptions of a European continent more concerned with its own internal problems than with international concerns. In security terms, he expressed frustrations over differing views of "detente" -- an outdated concept to American policymakers because of its perceived failure to restrain the Soviet Union, but a notion that is still very much favored in Europe and one that is seen as threatened by the increasingly harsh rhetoric and futile policies of the Reagan administration.

Washington did not view the European position as irrevocably divergent, he noted, but these differences contributed to what he called "a shift in the center of gravity and of our foreign policy intention toward the Pacific." He described a future dominated by the United States and Japan, with Western Europe falling further behind in technological development and political leadership. "I think more and more of our attention is going to be drawn toward the Pacific," he said, "and toward trying to manage that competition or cooperation with Japan."

One additional comment could have brought chills to European diplomats. The U.S.-Soviet relationship, Mr. Eagleberger suggested, was "largely irrelevant" to the process of shifting focus from the Atlantic to the Pacific, except in possible security terms:

> [If], in fact, the security relationship and the intimacy of the relationship with Western Europe changes substantially, it inevitably will lead the Soviet Union to look upon the area as one in which opportunities exist for mischief-making.

The Eagleberger statement has since been characterized as an individual reaction to recent difficulties in communicating with Europe. But rather than interpreting the remarks as a personal concern that dictated greater cooperative efforts, some European observers may have seen it an an overt threat of abandonment.

In response to several embassy inquiries, State Department officials assured European capitals that a "shift" was neither in the making nor a goal of American policies. But Mr. Eagleberger repeated his remarks in later forums, and subsequent events fed concern. U.S. congressional debate over funding for American forces in Europe, for one, underscored perceptions of a

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general lack of resolve to maintain North Atlantic Treaty Organization (NATO) security commitments. This attitude, it was claimed, was behind an amendment introduced by Sen. Sam Nunn (D, Ga.) to reduce American troop levels in Europe -- a measure that fell just 14 votes short of passage. Its failure did not reassure the Europeans; their point was that the resolution should never have been introduced.

The Nunn amendment was drafted to attract attention to the overall question of American contributions to European security as well as to fundamental nuts and bolts issues. Sen. Nunn consistently noted in congressional debates that while the United States was pursuing unilateral force improvements within the NATO defense structure, European nations were failing to implement consistent defense spending increases to supplement and support those measures. If Europe was not willing to take the steps necessary to utilize American force improvements, it was implied, why should the United States over-extend and jeopardize itself by commiting forces that could not be supported?

What Sen. Nunn had favored, according to his congressional statements, was a plan to implement U.S. improvements contingent upon Europe's response. As Europe's defense infrastructure was improved, the United States would be willing to commit its share, but not until then. "Unless our allies do their part," Sen. Nunn concluded, "all this money we are spending is not going to change the [military] balance in Europe."

While this argument had great support in Congress, it alarmed our European allies. Many apparently viewed the issue not as one of logistics or philosophy, but as a fundamental question of Washington's commitment to Europe's security. While annual defense spending increases have been agreed upon by NATO countries, many governments have not been able to meet these goals because of difficult domestic economic circumstances. Europe's defenders in Congress insisted that arbitrary standards should not be imposed by the U.S. government that could ultimately upset the alliance. Europe should be given time to improve its domestic economic base and allowed to meet defense goals when it is capable of doing so.

Criticism of Japan during this congressional debate may also have generated suspicions in some European capitals. Observers noted that as Congress was considering specific mandates for increasing defense contributions in Europe, Japan was being urged simply to increase its efforts without mention of particular spending levels. Although explanations exist for this discrepancy, it may have been interpreted as an indication of an American tilt toward Japan.

The straw that broke the proverbial camel's back, however, was the appointment of Michael Armacost to succeed Mr. Eagleberger at State. To Atlantic-directed policymakers, the Armacost appointment was tantamount to placing an "Asian hand" in the Department's number-three position, a clear indication that policymaking in the United States had shifted at the highest levels to a Japanese focus. Armacost's most recent State Department experience, after all, had been as ambassador to the Philippines and deputy assistant secretary of East Asian Affairs. He was also known more for his academic and professional experience in Japan than for his fluency in German and his academic exposure to the continent.

Closer economic ties between the United States and Japan are said to be at the expense of Europe. U.S. trade with Japan is growing more rapidly than with Europe, a trend that is allegedly promoted by officials in both countries. Trade-related policy decisions in Japan, it is claimed, favor the United States over Europe. The growing U.S. trade deficit with Japan, for example, is viewed as a serious political problem and is given top priority in Tokyo, while continuing European deficits with Japan are given secondary importance. Likewise, Japanese policymakers are frank in admitting that the government is more sensitive to the political ramifications of U.S. investments in Japan because of the potential for the trade imbalance to escalate into a damaging bilateral dispute. Some Europeans suggest that these developments, while not necessarily suggesting an active conspiracy to exclude European investment from Japan, have the same effect in practical terms.

American Responses and Perspectives

A series of discussions followed the Eagleberger remarks -- later repeated in a formal address in February -- in which American officials reassured their European counterparts that they had no intention of abandoning the Atlantic alliance. These talks took place at the working level; few discordant notes were sounded by European heads of government. State Department officials reportedly considered three alternatives to deal with the situation, none fully acceptable:

- The State Department could formally declare that Europe remained this country's top foreign policy priority. This might ease fears in Europe, but Asian hands in the department argued that it might create a similar problem in the Pacific and jeopardize recent progress in bringing Asian nations, particularly Japan, into the international arena.

- A "no problem" stance could be assumed, in effect denying the existence of any difficulties. This approach was rejected on the grounds that strong reassurance -- and leadership -- was necessary to prevent damaging the alliance. Insisting that there was no problem could suggest total indifference to Europe.

- An even-handed approach was the third option. This appeared the most sensible in light of Japan's increasing economic and political importance in the world and the historical, cultural and political links shared by the United States and Europe.

To reassure U.S. allies, Deputy Secretary of State Kenneth W. Dam therefore told the American Bar Association in early August that policymaking is not a "zero sum game" in which advancing relations with one region means neglect of another:

> There are, indeed, changes underway in both Europe and Asia -- and in U.S. relations with both -- but our policy is balanced, not tilted in one direction or the other. Yet, Asia is growing in importance in political, security, and especially economic terms; but no, our strengthened relations with Asia need not diminish our traditional ties to Europe. And those ties remain close despite -- or, in some cases, because of -- our differences and debates.

Mr. Dam insisted that American interest in Asia has been a standard for centuries and is not just a recent discovery. He downplayed policy disagreements with Europe, noting instead the "political courage" of European allies in their willingness to deploy Pershing and cruise missiles. His conclusion was intended not only to reassure Europeans by addressing a specific source of concern, but perhaps also to prepare the ground for trilateral relations among the United States, Europe and Japan to replace the current set of bilateral arrangements:

> The United States is a global power with global interests. We do not have the luxury of choosing to care about one region more than another. We should not write off the Atlantic alliance or prescribe cures (like the Nunn amendment's troop reductions) far worse than the ailment. Neither should we ignore the burgeoning of the Asian economies. Rather, the European-U.S. -Asian relationship should be viewed in complementary, not competitive, terms. Europe gains, not loses, from strengthened U.S.-Asian ties. And Asia gains, not loses, from strengthened U.S.-European ties.

To counter concerns over his appointment, Mr. Armacost made a trip to Europe his top priority and returned to Washington in mid-September to report that at the highest levels of government, there were no express concerns over a perceived shift to the Orient. Informed sources noted that the atmosphere surrounding the meetings was "positive and supportive."

Nevertheless, there were indications afterward that fears still existed at the working level. Mr. Armacost took advantage of the opportunity presented by the thirtieth meeting of the Atlantic Treaty Association in Toronto to address the subject yet again. In an October 10 speech entitled "NATO and the Challenges Ahead," the under secretary noted that Europe's security depends as much upon events in Asia and other areas of the globe as on developments across its borders. He reiterated Asia's economic and security importance to the United States and, by extension, to Europe. Without calling for a revised NATO structure, he nevertheless encouraged his European audience to embrace these developments in the context of trilateral relations: "The resilience of our friends in Asia," he concluded, "clearly contributes common interests to warrant a wider framework of cooperation in many spheres."

The Armacost speech, however, was not totally satisfactory to State Department officials. A speech designed by committee, it underwent several drafts by working-level representatives in the East Asian and European bureaus. There were no divisions over the "Asia versus Europe" issue, but at least some people within the department felt the speech did not completely resolve the problem. Officials are said to be interested in utilizing an appropriate forum in the near future to elaborate the points outlined in the speech.

Japan's Perspective

Many Japanese commentators are elated over the coming of the "Century of the Pacific." Jiro Tokuyama, president of the Nomura Management School and a frequent contributor to the press, is representative of those who write of the

Pacific basin's dynamism. He recently analyzed the economic growth of the region, suggesting that the shift to high technology industries supported by traditional values that emphasize diligence and frugality has led to "spectacular" economic growth while the world economy as a whole has stagnated. The most recent edition of the Foreign Ministry's annual white paper assessing Japan's relations with other nations also underscores the growing belief that global politics have entered the "Age of the Pacific," creating unique leadership opportunities and obligations for Japan.

Japanese diplomats, however, are more circumspect and are less likely to endorse a shift in U.S. policies or even to suggest that such a transformation is occurring. For the most part, they view developments as a natural evolution of Japan's place in the international arena. A State Department official notes that Japanese diplomats often set priorities that appear rational to them, but may cause concern with other groups. The United States, for example, is the most important overseas market for Japan and thus warrants special attention to the extent that the magnitude of political problems is greater than those that might exist with Europe.

While Japanese officials may not admit to this perspective, they nevertheless are concerned and in some cases bewildered that Europeans might view changes in U.S.-Japan relations as coming at their expense. While the European continent may or may not have secondary economic importance, it is critical in political and security terms. Just as events in Asia affect Europe's security, European stability affects Japan. Japanese diplomats are just as concerned, for instance, about potential deployments of Soviet missiles and U.S.-European strategies for dealing with these events as European politicians. A failure by either country to consider the Asian dimensions of these and other issues could easily tip the political and security balance in the Far East, it is maintained.

In a certain sense, Japan is a bystander in what is essentially a European problem: a failure of domestic policies and an absence of global vision. It is debatable whether Japan can address European fears about a shift in American policies, although increased and routine communication could help and might be desirable for its own sake. Still, there are limits to the steps Tokyo could take if indeed these concerns exist and are widespread.

European Concern: Justified or Paranoid?

Europe's uneasiness is sometimes difficult to comprehend, leading one observer to write it off as "European paranoia." The core of the problem appears to lie in continued economic difficulties within the Common Market countries and increasing global challenges from the United States, Japan and developing Asian economies.

In spite of decades of prosperity, European unemployment has remained high and economic growth in many countries has declined or, at best, stagnated. Although unemployment rates have fluctuated greatly in the United States over the last 10 years, the economy has been able to continue creating new positions to accommodate at least a portion of the new entrants into the workforce. By one estimate, 15 million jobs were created between 1973 and

1983, while net new job creation in Western Europe over the same time was virtually zero.

In dealing with these problems, European leaders have adopted reactive rather than progressive solutions. Protectionism is high and threatens to increase as Japanese imports make inroads into technogically new fields. Pessimism is not necessarily rampant, but certainly widespread, as Europeans see themselves losing international economic and political ground. Europe's traditional leadership has been reduced in several arenas and is threatened in others as its economic strength levels or declines.

Observers hold European nations accountable for their economic problems. They blame government intervention, restrictive regulatory standards, high labor costs, labor immobility and choking government subsidies for Europe's present condition. Government policies may have made it possible to maintain relatively high standards of living, it is argued, but prosperity has come at the expense of new, dynamic industries. "You couldn't have a Silicon Valley in Europe," one analyst declares. "They'd nationalize it before it got off the ground."

Many government officials, both in the United States and Japan, agree with Mr. Eagleberger's analysis of a European continent that increasingly is moving inward rather than outward. They note that to European diplomats, expanding relations with one country inevitably means degrading relations with another. These philosophical views are so deeply ingrained, they claim, that Europe cannot help interpreting recent developments between the United States and Japan as coming at their expense.

Some observers belittle European anxiety and insist that current U.S.-Japan political and economic trends are natural and desirable, not a comprehensive conspiracy to reduce Europe's importance. If Japan gives priority to American investment, for example, it is simply competing aggressively for international investment capital, not necessarily attempting to enhance the position of one of its trading and political partners over the other.

U.S. officials and observers add that the American focus still retains a strong European bias in several respects. Beyond cultural and historic ties, the American bureaucracy, some would say, is tilted in favor of Europe over Asia. The State Department still devotes more personnel resources to Europe than to Asia, in spite of recent appointments of officials with Asian experience to higher posts. As long as this institutional bias remains, Europe can rest assured that its interests will be preserved in the department's halls. Some Asian specialists might go so far as to suggest that, if anything, more attention should be given to Japan and other nations in the Far East.

The Future

This problem could have serious implications. Should European concerns continue, both the United States and Japan could face increasing difficulties in the form of greater protectionism or less cooperation on security issues. "We should not be placed in a position of explaining Japan to Europe," notes one State Department official, "or vice versa. Relations must stand on their

own merits." Indeed, it appears that the best solution would be to foster communication to enhance a three-way relationship, rather than two sets of bilateral relationships. Japanese interests would certainly be better served in the long run through such an arrangement.

One approach might be to institutionalize trilateral questions, much as Japanese-related elements increasingly appear to be a routine consideration in U.S. government decisions. Or, the United States could add annual sessions concerning European interests to its regular consultations with Japan. Some government officials informally have recommended that the State Department "force feed" information concerning its dealings with Japan to European capitals to increase awareness of U.S. actions and their ramifications and pre-empt fears that the United States is acting at Europe's expense with regard to Asian policies. By increasing the flow of information, it is argued, communication also increases, and with communication comes better understanding and improved relations.

The ultimate solution, of course, is a global economic recovery with sufficent trade opportunities for everyone. But barring a miracle, the present course seems destined to continue. The United States is not likely to abandon Europe and Japan will certainly not encourage such a step. However, economic and political currents may sweep America and Japan together, leaving Europe in the background. Foreign policy can in some ways only reflect those currents, not precipitate them.

For further information, contact Michael Chinworth.

The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.

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Defense Costs as Percentage of GNP

	1981	1982	1983
United States	5.8%	6.5%	6.9%
Belgium	3.5	3.4	3.4
Britain	4.9	5.1	5.9
Canada	1.8	2.1	2.1
Denmark	2.5	2.5	n.a.
France	4.2	4.2	4.2
Germany	3.4	3.4	3.4
Greece	7.0	7.0	7.1
Italy	2.5	2.6	2.8
Luxembourg	1.2	1.2	1.3
Netherlands	3.2	3.2	3.3
Norway	2.9	3.0	3.1
Portugal	3.5	3.4	3.4
Turkey	4.9	5.2	4.9

Changes in NATO Country Defense Spending*

	1979	1980	1981	1982	1983
United States	3.4%	4.9%	4.1%	7.6%	7.6%
Belgium	2.2	2.0	0.9	-3.3	-3.0
Britain	3.0	2.8	1.3	6.4	3.0
Canada	-0.9	5.1	3.1	4.9	5.0
Denmark	0.2	0.7	0.4	-0.3	-0.2
France**	2.5	3.7	3.6	0.9	0.9/1.5
Germany	1.8	2.3	3.2	-0.8	1.9
Greece	-2.9	-8.4	22.9	0.1	1.3
Italy	2.6	4.9	-0.5	3.2	1.1
Luxembourg	3.5	16.3	4.8	3.9	3.5
Netherlands	4.2	-1.7	3.3	2.1	2.7
Norway	1.9	1.8	2.7	4.1	2.8
Portugal	2.9	10.1	1.5	0.5	0.4
Turkey	2.6	2.0	1.8	4.6	1.9
NATO Total Excluding United States	2.2	2.6	2.8	2.3	1.9/2.1
NATO Total	3.1	4.0	3.6	5.7	5.6/5.7

*In inflation-adjusted terms. Figures based on NATO definition of defense spending. National fiscal years utilized. Non-U.S. NATO and NATO totals are weighted average growth rates developed using 1981 constant prices and exchange rates.

**France included for comparison purposes. Spending changes are estimates by the U.S. Department of Defense.